



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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**NEWS RELEASE**

**FOR RELEASE**

**November 5, 2002**

**Contact: Andy Nielsen  
515/281-5515**

Auditor of State Richard Johnson today released an audit report on Adair County, Iowa.

Johnson reported that the County had local tax revenue of \$10,207,543 for the year ended June 30, 2002, which included \$689,241 in tax credits from the state. The County forwarded \$7,739,570 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,467,973 of the local tax revenue to finance County operations, a 26 percent increase from the prior year. The increase in local tax revenue retained is primarily due to an increase in the General Fund tax levy. Other revenues included \$2,900,879 from the state, including indirect federal funding, and \$203,824 in interest on investments.

Expenditures for County operations totaled \$6,965,548, a 12 percent increase from the prior year. Expenditures included \$3,306,388 for roads and transportation, \$749,242 for public safety and \$712,624 for mental health. The increase in expenditures is primarily due to urban renewal expenditures to construct a rail spur to serve the I-80 Industrial Business Park.

This report contained recommendations to the Board of Supervisors and other County Officials. For example, the County Treasurer should review operating procedures to obtain maximum internal control over bank reconciliations and mail receipts. County officials responded favorably to the recommendations.

A copy of the audit report is available for review in the office of the Auditor of State and the County Auditor's office.

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**ADAIR COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2002**

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**Adair County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John VanVleet	Board of Supervisors	Jan 2003
Richard Hoadley	Board of Supervisors	Jan 2003
Marvin Ford	Board of Supervisors	Jan 2005
Richard Dolan	Board of Supervisors	Jan 2005
Robert Grasty	Board of Supervisors	Jan 2005
Jenice K. Wallace	County Auditor	Jan 2005
Constance Sheriff	County Treasurer	Jan 2003
Priscilla McClelland	County Recorder	Jan 2003
Randy Marchant	County Sheriff	Jan 2005
Clint Hight	County Attorney	Jan 2003
Kenneth E. Huddleson	County Assessor	Jan 2004

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Chief Deputy Auditor of State

**Independent Auditor's Report**

To the Officials of Adair County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Adair County, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Adair County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Adair County at June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust funds of Adair County for the year ended June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2002 on our consideration of Adair County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 16, 2002

**Adair County**

## **Financial Statements**

Adair County  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
	<b>Assets and Other Debits</b>		
Cash and pooled investments:			
County Treasurer	\$ 738,928	2,114,255	198,218
Other County officials	-	-	-
Receivables:			
Delinquent property tax	295	4,239	-
Succeeding year property tax	1,224,000	1,285,000	-
Accounts	5,020	60	-
Special assessments	-	-	-
Accrued interest	31,229	819	-
Due from other funds (note 3)	19,561	132	-
Due from other governments	24,175	196,899	-
Inventories	-	168,961	-
Prepaid expenditures	85,809	69,389	-
Property and equipment (note 4)	-	-	-
Amount available for debt service	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
<b>Total assets and other debits</b>	<b>\$ 2,129,017</b>	<b>3,839,754</b>	<b>198,218</b>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
33,408	489,787	-	-	3,574,596
-	16,748	-	-	16,748
-	11,024	-	-	15,558
-	7,244,000	-	-	9,753,000
-	29	-	-	5,109
-	38,056	-	-	38,056
-	1,557	-	-	33,605
-	15	-	-	19,708
-	-	-	-	221,074
-	-	-	-	168,961
-	3,398	-	-	158,596
-	-	6,262,013	-	6,262,013
-	-	-	104,619	104,619
-	-	-	1,264,621	1,264,621
<b>33,408</b>	<b>7,804,614</b>	<b>6,262,013</b>	<b>1,369,240</b>	<b>21,636,264</b>

Adair County  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Liabilities, Fund Equity and Other Credits</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 12,023	44,505	35,899
Salaries and benefits payable	17,540	38,836	-
Due to other funds (note 3)	-	-	-
Due to other governments (note 5)	2,962	63,505	-
Trusts payable	-	-	-
Deferred revenues:			
Delinquent property tax	295	4,239	-
Succeeding year property tax	1,224,000	1,285,000	-
Capital loan notes payable (note 7)	-	-	-
Compensated absences	11,110	15,883	-
<b>Total liabilities</b>	<b>1,267,930</b>	<b>1,451,968</b>	<b>35,899</b>
<b>Fund equity and other credits:</b>			
Investment in general fixed assets	-	-	-
Unreserved retained earnings	-	-	-
<b>Fund balances:</b>			
Reserved for:			
Supplemental levy purposes	3,386	-	-
Inventories	-	168,961	-
Prepaid expenditures	85,809	69,389	-
Debt service - sinking fund	-	4,515	-
Debt service - reserve fund	-	100,104	-
Unreserved	771,892	2,044,817	162,319
<b>Total fund equity and other credits</b>	<b>861,087</b>	<b>2,387,786</b>	<b>162,319</b>
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 2,129,017</b>	<b>3,839,754</b>	<b>198,218</b>

See notes to financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Internal Service	Trust and Agency			
1,964	-	-	-	94,391
-	954	-	-	57,330
-	19,708	-	-	19,708
-	7,593,302	-	-	7,659,769
-	3,184	-	-	3,184
-	-	-	-	4,534
-	-	-	-	2,509,000
-	-	-	1,270,000	1,270,000
-	2,648	-	99,240	128,881
1,964	7,619,796	-	1,369,240	11,746,797
-	-	6,262,013	-	6,262,013
31,444	-	-	-	31,444
-	-	-	-	3,386
-	-	-	-	168,961
-	-	-	-	155,198
-	-	-	-	4,515
-	-	-	-	100,104
-	184,818	-	-	3,163,846
31,444	184,818	6,262,013	-	9,889,467
33,408	7,804,614	6,262,013	1,369,240	21,636,264

Adair County

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - All Governmental Fund Types  
and Expendable Trust Fund

Year ended June 30, 2002

	Governmental		Fund Types
	General	Special Revenue	Capital Projects
<b>Revenues:</b>			
Property and other County tax	\$ 1,134,538	1,167,822	-
Tax increment financing revenues	-	63,977	-
Interest and penalty on property tax	30,068	-	-
Intergovernmental	295,540	2,970,346	100,000
Licenses and permits	6,042	675	-
Charges for service	157,286	2,091	-
Use of money and property	191,560	19,825	-
Fines, forfeitures and defaults	238	-	-
Miscellaneous	1,200	8,774	-
<b>Total revenues</b>	<b>1,816,472</b>	<b>4,233,510</b>	<b>100,000</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety	743,987	5,255	-
Court services	8,451	-	-
Physical health and education	179,307	23,200	-
Mental health	-	712,624	-
Social services	126,364	-	-
County environment	215,924	70,042	-
Roads and transportation	25,317	3,281,071	-
State and local government services	236,804	2,963	-
Interprogram services	494,149	-	-
Debt service	-	134,048	-
Capital projects	-	14,856	691,186
<b>Total expenditures</b>	<b>2,030,303</b>	<b>4,244,059</b>	<b>691,186</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(213,831)</b>	<b>(10,549)</b>	<b>(591,186)</b>

Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
-	2,302,360
-	63,977
-	30,068
-	3,365,886
-	6,717
65	159,442
10,631	222,016
-	238
16,761	26,735
27,457	6,177,439
<hr/>	
-	749,242
-	8,451
-	202,507
-	712,624
-	126,364
-	285,966
-	3,306,388
-	239,767
-	494,149
-	134,048
-	706,042
-	6,965,548
<hr/>	
27,457	(788,109)

Adair County

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - All Governmental Fund Types  
and Expendable Trust Fund

Year ended June 30, 2002

	Governmental		Fund Types
	General	Special Revenue	Capital Projects
Other financing sources (uses):			
Sale of general fixed assets	17,337	47,661	-
Subordinate urban renewal revenue capital loan note proceeds	-	-	250,000
Operating transfers in	(58,374)	1,044,701	-
Operating transfers out	-	(986,327)	-
Total other financing sources (uses)	(41,037)	106,035	250,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(254,868)	95,486	(341,186)
Fund balances beginning of year	1,087,779	2,239,037	503,505
Increase in reserve for:			
Inventories	-	34,118	-
Prepaid expenditures	28,176	19,145	-
Fund balances end of year	\$ 861,087	2,387,786	162,319

See notes to financial statements.

<u>Fiduciary Fund Type</u>	<u>Total</u>
<u>Expendable</u>	<u>(Memorandum</u>
<u>Trust</u>	<u>Only)</u>
-	64,998
-	250,000
-	986,327
-	(986,327)
-	314,998
27,457	(473,111)
157,361	3,987,682
-	34,118
-	47,321
184,818	3,596,010

**Exhibit C****Adair County**

**Comparison of Receipts, Disbursements and  
Changes in Balances - Actual to Budget (Cash Basis)  
All Governmental Fund Types and Expendable Trust Fund**

Year ended June 30, 2002

	Actual	Amended Budget	Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
<b>Receipts:</b>				
Property and other County tax	\$ 2,364,077	2,336,078	27,999	101%
Interest and penalty on property tax	32,328	29,550	2,778	109%
Intergovernmental	3,342,000	3,271,268	70,732	102%
Licenses and permits	7,017	5,200	1,817	135%
Charges for service	158,898	156,533	2,365	102%
Use of money and property	229,509	221,536	7,973	104%
Fines, forfeitures and defaults	238	400	(162)	60%
Miscellaneous	33,133	31,705	1,428	105%
Total receipts	<u>6,167,200</u>	<u>6,052,270</u>	<u>114,930</u>	<u>102%</u>
<b>Disbursements:</b>				
Public safety	761,408	766,201	4,793	99%
Court services	8,027	13,919	5,892	58%
Physical health and education	200,174	214,136	13,962	93%
Mental health	698,260	760,356	62,096	92%
Social services	132,382	176,969	44,587	75%
County environment	289,942	315,822	25,880	92%
Roads and transportation	3,356,304	3,539,067	182,763	95%
State and local government services	238,066	244,973	6,907	97%
Interprogram services	494,435	535,488	41,053	92%
Debt service	134,048	134,048	-	100%
Capital projects	708,652	1,069,000	360,348	66%
Total disbursements	<u>7,021,698</u>	<u>7,769,979</u>	<u>748,281</u>	<u>90%</u>
Deficiency of receipts under disbursements	(854,498)	(1,717,709)		
Other financing sources, net	<u>314,998</u>	<u>313,464</u>		
Deficiency of receipts and other financing sources under disbursements and other financing uses	(539,500)	(1,404,245)		
Balance beginning of year	<u>3,774,147</u>	<u>3,284,835</u>		
Balance end of year	<u>\$ 3,234,647</u>	<u>1,880,590</u>		

See notes to financial statements.

Adair County  
 Statement of Revenues, Expenses and Changes in  
 Retained Earnings

Proprietary Fund Type

Year ended June 30, 2002

		Internal Service - Employee Health Insurance
Operating revenues:		
Contributions and reimbursements from operating funds and other governmental units	\$	24,512
Reimbursements from employees		462
Total operating revenues		24,974
Operating expenses:		
Medical claims paid	\$ 8,899	
Administrative fees	554	9,453
Operating income		15,521
Non-operating revenues:		
Interest on investments		648
Net income		16,169
Retained earnings beginning of year		15,275
Retained earnings end of year	\$	31,444

See notes to financial statements.

**Exhibit E**

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Adair County  
Statement of Cash Flows  
Proprietary Fund Type  
Year ended June 30, 2002

	<u>Internal Service - Employee Health Insurance</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 24,512
Cash received from employees	462
Cash payments to suppliers for services	(13,093)
Net cash provided by operating activities	<u>11,881</u>
Cash flows from investing activities:	
Interest on investments	<u>648</u>
Net increase in cash equivalents	12,529
Cash and cash equivalents at beginning of year	<u>20,879</u>
Cash and cash equivalents at end of year	<u><u>\$ 33,408</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 15,521
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Decrease) in accounts payable	<u>(3,640)</u>
Net cash provided by operating activities	<u><u>\$ 11,881</u></u>

See notes to financial statements.

Adair County

Notes to Financial Statements

June 30, 2002

**(1) Summary of Significant Accounting Policies**

Adair County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

A. Reporting Entity

For financial reporting purposes, Adair County has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Adair County Assessor's Conference Board, Three Mile Reservoir Agency, Adair County Sanitary Disposal Commission, Emergency Management Commission and South Central Iowa Regional E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

## Governmental Funds

General Fund - The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds - The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Capital Projects Fund - The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

## Proprietary Fund

Internal Service Fund - The Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

## Fiduciary Funds

Trust Funds - The Trust Funds are used to account for assets held by the County in a trustee capacity. These include expendable trust funds which are accounted for in essentially the same manner as Governmental Funds.

Agency Funds - The Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

## Account Groups

General Fixed Assets - This account group is established to account for the general fixed assets of the County.

General Long-Term Debt - This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this Account Group, not in the Governmental Funds.

### C. Measurement Focus

Governmental Funds and Expendable Trust Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its proprietary funds, the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental fund types is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2000 assessed property valuations, is for the tax accrual period July 1, 2001 through June 30, 2002, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2001.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

General Fixed Assets – General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost or estimated historical cost where historical cost is not available. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General fixed Assets Account Group excludes public domain or “infrastructure” general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Asset Account Group. Maintenance and repairs are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2002, no interest costs were capitalized since the County’s policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as property tax receivables and other receivables not collected within sixty days after year end.

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time, vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid at 25%, not to exceed 90 days, upon retirement. Certain employees are annually paid for 1/5 of sick leave hours in excess of 90 days. For Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund Type. A liability has been recorded in the General Long-Term Debt Account Group representing the County’s commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002.

Unreserved Retained Earnings – The unreserved retained earnings of the Employee Health Insurance Fund is designated for anticipated future catastrophic losses of the County.

F. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except internal service and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 12 major classes of expenditures known as service areas, not by fund or fund type. These 12 service areas are: public safety, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Service area disbursements required to be budgeted include disbursements for the general fund, special revenue funds, capital projects fund and expendable trust funds. Although the budget document presents service area disbursements by fund, the legal level of control is at the aggregated service area level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board and for Emergency Management Services by the County Emergency Management Commission.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by service area, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 1,820,249	(3,777)	1,816,472	4,219,440	14,070	4,233,510
Expenditures	2,041,758	(11,455)	2,030,303	4,302,108	(58,049)	4,244,059
Net	(221,509)	7,678	(213,831)	(82,668)	72,119	(10,549)
Other financing sources (uses)	(41,037)	-	(41,037)	106,035	-	106,035
Beginning fund balances	1,001,474	86,305	1,087,779	2,090,888	148,149	2,239,037
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	34,118	34,118
Prepaid expenditures	-	28,176	28,176	-	19,145	19,145
Ending fund balances	\$ 738,928	122,159	861,087	2,114,255	273,531	2,387,786

	Governmental Fund Types			Fiduciary Fund Type		
	Capital Projects			Expendable Trust		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 100,000	-	100,000	27,511	(54)	27,457
Expenditures	677,832	13,354	691,186	-	-	-
Net	(577,832)	(13,354)	(591,186)	27,511	(54)	27,457
Other financing sources (uses)	250,000	-	250,000	-	-	-
Beginning fund balances	526,050	(22,545)	503,505	155,735	1,626	157,361
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Ending fund balances	\$ 198,218	(35,899)	162,319	183,246	1,572	184,818

	Total		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 6,167,200	10,239	6,177,439
Expenditures	7,021,698	(56,150)	6,965,548
Net	(854,498)	66,389	(788,109)
Other financing sources (uses)	314,998	-	314,998
Beginning fund balances	3,774,147	213,535	3,987,682
Increase (decrease) in reserve for:			
Inventories	-	34,118	34,118
Prepaid expenditures	-	47,321	47,321
Ending fund balances	\$ 3,234,647	361,363	3,596,010

**G. Total (Memorandum Only)**

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$74,211 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2002 is as follows:

Receivable Fund	Description	Amount
General	Trust and Agency:	
	County Recorder	\$ 13,824
	Auto Licence and Use Tax	5,737
		<u>19,561</u>
Special Revenue:		
County's Recorder's Records Management	Trust and Agency: County Recorder	132
Trust and Agency: Conservation Land Acquisition Trust	Trust and Agency: County Recorder	15
Total		<u>\$ 19,708</u>

**(4) Property and Equipment**

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2002 is as follows:

	Balance Beginning of Year	Additions	Deletions	Total
Land	\$ 312,465	1,410	351	313,524
Buildings	686,970	44,645	-	731,615
Equipment	5,135,100	439,217	403,613	5,170,704
Improvements	22,700	23,470	-	46,170
Total	<u>\$ 6,157,235</u>	<u>508,742</u>	<u>403,964</u>	<u>6,262,013</u>

**(5) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 2,962
Special Revenue:		
Secondary Roads		393
Mental Health	Services	63,112
		<u>63,505</u>

Fund	Description	Amount
Trust and Agency:		
Agricultural Extension		
Education	Collections	82,439
County Assessor		167,390
Schools		4,562,248
Community Colleges		204,548
Corporations		1,435,886
Townships		172,908
Auto License and Use Tax		157,025
Special assessments		39,312
County Hospital		762,731
All other		8,815
		<u>7,593,302</u>
Total		<u>\$ 7,659,769</u>

**(6) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	Capital Loan	Compensated	Total
	Notes Payable	Absences	
Balance beginning of year	\$ 1,089,000	86,235	1,175,235
Additions	250,000	13,005	263,005
Reductions	69,000	-	69,000
Balance end of year	<u>\$ 1,270,000</u>	<u>99,240</u>	<u>1,369,240</u>

**(7) Capital Loan Notes Payable**

On November 25, 1998, the County issued \$600,000 of urban renewal revenue capital loan notes. The notes bear interest at 5.25 percent per annum and mature in varying annual amounts ranging from \$31,000 to \$73,000, with final maturity in June 2011. These notes were used to plan, undertake and carry out an Urban Renewal Project, including the purchase of water, sewer and street paving improvements.

On May 1, 2001, the County issued \$630,000 of urban renewal revenue capital loan notes. The notes bear interest at 6 percent per annum and mature in varying annual amounts ranging from \$50,000 to \$90,000 with final maturity in June 2013. The note proceeds are to be used to provide a grant to the Iowa Interstate Railroad for construction of a rail spur line to serve the I-80 industrial business park.

On January 18, 2002, the County issued a \$250,000 subordinate urban renewal revenue capital loan note (subordinate note). The note bears interest at 6 percent per annum with final maturity on June 1, 2013. The note proceeds are to be used to provide additional funds to the Iowa Interstate Railroad for construction of a rail spur line to serve the I-80 industrial business park.

A formal repayment schedule has not been established for the subordinate note. Interest is due and payable from allocable subordinate tax increment financing (TIF) revenues on June 1, 2002 and annually thereafter until the note matures on June 13, 2002. Allocable revenues are those TIF revenues remaining annually after principal and interest payments and required sinking and reserve transfers on the November 1998 and May 2001 notes are satisfied. During the year ended June 30, 2002, no interest was paid on the note since no allocable subordinate tax increment financing revenues were collected.

Details of the County's June 30, 2002 capital loan note indebtedness is as follows:

Year Ending June 30,	Urban Renewal Revenue Notes November 25, 1998			Urban Renewal Revenue Notes May 1, 2001		
	Interest Rates	Principal	Interest	Interest Rate	Principal	Interest
2003	5.25%	\$ 73,000	20,475	6.00%	\$ -	37,800
2004	5.25	46,000	16,643	6.00	50,000	37,800
2005	5.25	48,000	14,228	6.00	50,000	34,800
2006	5.25	51,000	11,708	6.00	50,000	31,800
2007	5.25	31,000	9,030	6.00	55,000	28,800
2008	5.25	33,000	3,701	6.00	60,000	25,500
2009	5.25	34,000	5,670	6.00	60,000	21,900
2010	5.25	36,000	3,885	6.00	65,000	18,300
2011	5.25	38,000	1,995	6.00	70,000	14,400
2012	-	-	-	6.00	80,000	10,200
2013	-	-	-	6.00	90,000	5,400
Total		\$ 390,000	87,335		630,000	266,700

Year Ending June 30,	Total		
	Principal	Interest	Total
2003	73,000	58,275	131,275
2004	96,000	54,443	150,443
2005	98,000	49,028	147,028
2006	101,000	43,508	144,508
2007	86,000	37,830	123,830
2008	93,000	29,201	122,201
2009	94,000	27,570	121,570
2010	101,000	22,185	123,185
2011	108,000	16,395	124,395
2012	80,000	10,200	90,200
2013	90,000	5,400	95,400
Total	1,020,000	354,035	1,374,035

During the year ended June 30, 2002, the County retired \$69,000 of urban renewal notes dated November 25, 1998.

The urban renewal notes are payable solely from the taxes paid into the Special Revenue, Stuart Urban Renewal and Stuart/Adair Rail Spur Urban Renewal Funds, respectively, pursuant to Chapter 403.19 of the Code of Iowa, and other funds derived or held in connection with the projects related to these note issues. In February 2002, the County entered into a 28E agreement with the City of Stuart in which the City has agreed to provide \$14,000 annually to the County to help defray the cost of principal and interest on the notes. The notes are not a general obligation of the County, however the debt is subject to the constitutional debt limitation of the County.

The resolutions providing for the issuance of the urban renewal revenue notes include the following provisions:

- (1) Sufficient annual transfers shall be made to urban renewal project sinking funds for the purpose of making the note principal and interest payments when due.
- (2) Sufficient monthly transfers shall be made to urban renewal reserve funds until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying note principal and interest payments due when insufficient money is available in the sinking funds.
- (3) Surplus revenues that are attributable to the subordinate project area shall be deposited to a sinking fund for the purpose of making subordinate note principal and interest payments.

At June 30, 2002, the County had not transferred the required amount to the reserve account for the 1998 urban renewal revenue notes.

At June 30, 2002, the County had not established the subordinate note sinking fund since no surplus revenues had been collected.

**(8) Development and Loan Agreement and Commitment**

In May 2001, the County entered into a Development and Loan Agreement by and between Adair County, Distributor's Real Estate, Inc. (Developer), Iowa Interstate Railroad, LTD, and the City of Stuart to undertake a project to develop an economic development area in the City of Stuart. The project consists of paying costs to aid in planning, undertaking and carrying out an urban renewal project, including grants to Iowa Interstate Railroad to construct a rail spur line to serve the I-80 Industrial Business Park.

The County has agreed to grant Iowa Interstate Railroad an amount not to exceed \$848,850 for the railroad's cost to construct the rail spur line. Funding for the grant is provided through the County's issuance of \$630,000 of urban renewal revenue notes and a \$250,000 subordinate note.

The grant is to be paid to the railroad in monthly progress installments equal to the railroad's actual monthly expenditures. The project is expected to be completed and all grant payments made to the railroad by December 31, 2002. At June 30, 2002, the County had paid a total of \$630,832 to Iowa Interstate Railroad. The balance remaining at June 30, 2002 will be paid as the project progresses.

**(9) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$111,742, \$110,678, and \$100,987, respectively, equal to the required contributions for each year.

## **(10) Risk Management**

Adair County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2002 were \$156,775.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2002, no liability has been recorded in the County's financial statements. As of June 30, 2002, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with employee blanket bonds, boiler and machinery and sheriff's law enforcement liability. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation and employee blanket bond claims in excess of \$1,000,000 and \$20,000 respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Employee Health Insurance Plan**

The Adair County Employee Health Insurance Fund was established to account for the partial self funding of the county's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual deduction limitations of \$500 and \$1,000 for single and family coverage, respectively.

Monthly payments of service fees and plan contributions to the Adair County Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark, Inc. from the Adair County Employee Health Insurance Fund. The County records the plan assets and related liabilities of the Adair County Employee Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2002 was \$24,512.

Amounts payable from the Adair County Employee Health Insurance Fund at June 30, 2002 total \$1,964 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims, and to establish a reserve for catastrophic losses. That reserve was \$31,444 was at June 30, 2002. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2001	\$ 5,604
Incurred claims (including claims incurred but not reported at June 30, 2002)	5,259
Payment on claims during the fiscal year	<u>(8,899)</u>
Unpaid claims at June 30, 2002	<u>\$ 1,964</u>

**Adair County**

## **Supplemental Information**

**Schedule 1**

## Adair County

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues:		
Property and other County tax:		
Property tax	\$ 1,072,427	
Utility tax replacement excise tax	59,851	
Other	2,260	\$ 1,134,538
Interest and penalty on property tax		30,068
Intergovernmental:		
State shared revenues:		
Franchise tax	15,329	
Other	1,138	
	<u>16,467</u>	
State grants and reimbursements including indirect federal funding:		
Home care aide grant	30,877	
Public health nursing grant	11,447	
Human services administrative reimbursement	7,954	
Emergency medical service	5,893	
Other	24,426	
	<u>80,597</u>	
State tax replacements:		
State credits	84,963	
State allocation	58,900	
	<u>143,863</u>	
Contributions and reimbursements from other governmental units	<u>54,613</u>	295,540
Licenses and permits		6,042
Charges for service:		
Office fees and collections	62,125	
Auto license, use tax, drivers license and mailing	65,317	
Other	29,844	157,286
Use of money and property:		
Interest on investments	178,761	
Other	12,799	191,560
Fines, forfeitures and defaults		238
Miscellaneous		1,200
Total revenues		<u>1,816,472</u>

## Adair County

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Expenditures:	
Operating:	
Public safety	743,987
Court services	8,451
Physical health and education	179,307
Social services	126,364
County environment	215,924
Roads and transportation service area	25,317
State and local government services	236,804
Interprogram services	494,149
Total expenditures	<u>2,030,303</u>
Deficiency of revenues under expenditures	<u>(213,831)</u>
Other financing sources (uses):	
Sale of general fixed assets	17,337
Operating transfers out:	
Special Revenue:	
Secondary Roads	(58,374)
Total other financing sources (uses)	<u>(41,037)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	<u>(254,868)</u>
Fund balance beginning of year	1,087,779
Increase in reserve for prepaid expenditures	<u>28,176</u>
Fund balance end of year	<u><u>\$ 861,087</u></u>

See accompanying independent auditor's report.

**Schedule 2****Adair County****General Fund****Statement of Expenditures**

Year ended June 30, 2002

## Public Safety Service Area:

## Law enforcement:

Uniformed patrol services	\$	159,991	
Investigations		88,779	
Law enforcement communication		169,411	
Adult correctional services		79,926	
Administration		130,915	
		<u>629,022</u>	

## Legal services:

Criminal prosecution		89,770	
Medical examinations		14,088	
		<u>103,858</u>	

## Emergency services:

Ambulance services		6,893	
Emergency management		4,214	
		<u>11,107</u>	\$ 743,987

## Court Services Service Area:

## Assistance to district court system:

Physical operations		451	
Research and other assistance		3,606	
		<u>4,057</u>	

## Court proceedings:

Juries and witnesses		453	
Detention services		2,945	
Court costs		45	
Service of civil papers		727	
		<u>4,170</u>	

## Juvenile justice administration:

Court-appointed attorneys and court costs for juveniles		224	8,451
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## Physical Health and Education Service Area:

## Physical health services:

Personal and family health services		17,786	
Sanitation		19,672	
Health administration		82,949	
		<u>120,407</u>	

## Educational services:

Historic preservation		8,900	
Fair and 4-H clubs		17,500	
Fairgrounds		32,500	
		<u>58,900</u>	179,307

## Adair County

## General Fund

## Statement of Expenditures

Year ended June 30, 2002

Social Services Service Area:		
Services to the poor:		
Administration	27,418	
General welfare services	2,122	
	<u>29,540</u>	
Services to military veterans:		
Administration	4,906	
General services to veterans	7,832	
	<u>12,738</u>	
Children and family services:		
Youth guidance	18,271	
Family protective services	6,254	
	<u>24,525</u>	
Services to other adults:		
Services to the elderly	47,038	
Chemical dependency:		
Treatment services	9,889	
Preventive services	2,634	
	<u>12,523</u>	126,364
County Environment Service Area:		
Conservation and recreation services:		
Administration	67,236	
Maintenance and operations	109,760	
	<u>176,996</u>	
County development:		
Economic development	38,928	215,924
Roads and Transportation Service Area:		
General roadway:		
Real estate and buildings		25,317
State and Local Government Services		
Service Area:		
Representation services:		
Elections administration	27,352	
Local elections	6,229	
	<u>33,581</u>	
State administrative services:		
Motor vehicle registrations and licensing	98,936	
Recording of public documents	104,287	
	<u>203,223</u>	236,804

**Schedule 2**

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Adair County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Interprogram Services Service Area:

Policy and administration:

General County management	153,095
Administration management services	73,536
Treasury management services	91,236
Other policy and administration	19,885
	<u>337,752</u>

Central services:

General services	93,816
Data processing services	23,907
	<u>117,723</u>

Risk management services:

Tort liability	16,433
Safety of the workplace	16,408
Fidelity of public officials	5,833
	<u>38,674</u>

494,149

Total

\$ 2,030,303

See accompanying independent auditor's report.

**Adair County**

Adair County  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Mental Health
<b>Assets</b>					
Cash and pooled investments	\$ 152,881	1,521,428	89,899	4,477	206,497
Receivables:					
Property tax:					
Delinquent	4,239	-	-	-	-
Succeeding year	885,000	-	-	-	288,000
Accounts	-	60	-	-	-
Accrued interest	-	-	819	-	-
Due from other funds	-	-	-	132	-
Due from other governments	-	196,899	-	-	-
Inventories	-	168,961	-	-	-
Prepaid expense	665	68,407	-	-	317
<b>Total assets</b>	<b>\$ 1,042,785</b>	<b>1,955,755</b>	<b>90,718</b>	<b>4,609</b>	<b>494,814</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	\$ 857	34,667	-	-	8,981
Salaries and benefits payable	2,412	36,424	-	-	-
Due to other governments	-	393	-	-	63,112
Deferred revenue:					
Delinquent property tax	4,239	-	-	-	-
Succeeding year property tax	885,000	-	-	-	288,000
Compensated absences	576	15,307	-	-	-
<b>Total liabilities</b>	<b>893,084</b>	<b>86,791</b>	<b>-</b>	<b>-</b>	<b>360,093</b>
Fund equity:					
Fund balance:					
Reserved for:					
Inventories	-	168,961	-	-	-
Prepaid expenditures	665	68,407	-	-	317
Debt service - sinking fund	-	-	-	-	-
Debt service - reserve fund	-	-	-	-	-
Unreserved	149,036	1,631,596	90,718	4,609	134,404
<b>Total fund equity</b>	<b>149,701</b>	<b>1,868,964</b>	<b>90,718</b>	<b>4,609</b>	<b>134,721</b>
<b>Total liabilities and fund equity</b>	<b>\$ 1,042,785</b>	<b>1,955,755</b>	<b>90,718</b>	<b>4,609</b>	<b>494,814</b>

See accompanying independent auditor's report.

Special Law Enforcement	Stuart Urban Renewal	Stuart Urban Renewal Reserve	Stuart/Adair Rail Spur Urban Renewal	Stuart/Adair Rail Spur Urban Renewal Sinking	Stuart/Adair Rail Spur Urban Renewal Reserve	Total
3,660	770	37,104	30,024	4,515	63,000	2,114,255
-	-	-	-	-	-	4,239
-	95,000	-	17,000	-	-	1,285,000
-	-	-	-	-	-	60
-	-	-	-	-	-	819
-	-	-	-	-	-	132
-	-	-	-	-	-	196,899
-	-	-	-	-	-	168,961
-	-	-	-	-	-	69,389
<b>3,660</b>	<b>95,770</b>	<b>37,104</b>	<b>47,024</b>	<b>4,515</b>	<b>63,000</b>	<b>3,839,754</b>
-	-	-	-	-	-	44,505
-	-	-	-	-	-	38,836
-	-	-	-	-	-	63,505
-	-	-	-	-	-	4,239
-	95,000	-	17,000	-	-	1,285,000
-	-	-	-	-	-	15,883
-	95,000	-	17,000	-	-	1,451,968
-	-	-	-	-	-	168,961
-	-	-	-	-	-	69,389
-	-	-	-	4,515	-	4,515
-	-	37,104	-	-	63,000	100,104
3,660	770	-	30,024	-	-	2,044,817
<b>3,660</b>	<b>770</b>	<b>37,104</b>	<b>30,024</b>	<b>4,515</b>	<b>63,000</b>	<b>2,387,786</b>
<b>3,660</b>	<b>95,770</b>	<b>37,104</b>	<b>47,024</b>	<b>4,515</b>	<b>63,000</b>	<b>3,839,754</b>

Adair County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Mental Health
<b>Revenues:</b>					
Property and other County tax:					
Property tax	\$ 832,749	-	-	-	265,395
Utility tax replacement excise tax	54,848	-	-	-	14,830
	<u>887,597</u>	-	-	-	<u>280,225</u>
Tax increment financing revenues	-	-	-	-	-
<b>Intergovernmental:</b>					
State shared revenue:					
Road use tax	-	2,346,755	-	-	-
State grants and reimbursements including indirect federal funding:					
Social services block grant	-	-	-	-	40,407
Mental health/mental retardation allocation	-	-	-	-	24,488
Other	-	40	5,841	-	-
	-	<u>40</u>	<u>5,841</u>	-	<u>64,895</u>
State tax replacements:					
State tax credits	59,062	-	-	-	21,053
State allocation	22,067	-	-	-	-
Mental health property tax relief	-	-	-	-	294,108
Mental health allowed growth factor adjustment allocation	-	-	-	-	11,209
	<u>81,129</u>	-	-	-	<u>326,370</u>
Contributions and reimbursements from from other governmental units	-	78,281	-	-	-
	<u>81,129</u>	<u>2,425,076</u>	<u>5,841</u>	-	<u>391,265</u>
Licenses and permits	-	675	-	-	-
Charges for service	-	-	-	2,091	-
Use of money and property:					
Interest on investments	-	-	3,575	112	-
Miscellaneous	-	8,648	-	-	126
Total revenues	<u>968,726</u>	<u>2,434,399</u>	<u>9,416</u>	<u>2,203</u>	<u>671,616</u>

Special Law Enforcement	Stuart Urban Renewal	Stuart Urban Renewal Sinking	Stuart Urban Renewal Reserve	Stuart/Adair Rail Spur Urban Renewal	Stuart/Adair Rail Spur Urban Renewal Sinking	Stuart/Adair Rail Spur Urban Renewal Reserve	Total
-	-	-	-	-	-	-	1,098,144
-	-	-	-	-	-	-	69,678
-	-	-	-	-	-	-	1,167,822
-	63,977	-	-	-	-	-	63,977
-	-	-	-	-	-	-	2,346,755
-	-	-	-	-	-	-	40,407
-	-	-	-	-	-	-	24,488
-	-	-	-	-	-	-	5,881
-	-	-	-	-	-	-	70,776
-	535	-	-	-	-	-	80,650
-	-	-	-	-	-	-	22,067
-	-	-	-	-	-	-	294,108
-	-	-	-	-	-	-	11,209
-	535	-	-	-	-	-	408,034
-	52,500	-	-	14,000	-	-	144,781
-	53,035	-	-	14,000	-	-	2,970,346
-	-	-	-	-	-	-	675
-	-	-	-	-	-	-	2,091
133	1,050	-	-	14,955	-	-	19,825
-	-	-	-	-	-	-	8,774
133	118,062	-	-	28,955	-	-	4,233,510

Adair County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Mental Health
<b>Expenditures:</b>					
<b>Operating:</b>					
<b>Public Safety Service Area:</b>					
<b>Law enforcement:</b>					
Uniformed patrol services	-	-	-	-	-
<b>Emergency services:</b>					
Fire protection services	3,500	-	-	-	-
	<u>3,500</u>	-	-	-	-
<b>Physical Health and Education Service Area:</b>					
<b>Educational services:</b>					
Libraries	23,200	-	-	-	-
<b>Mental Health Service Area:</b>					
<b>Persons with mental health problems -       mental illness:</b>					
Information and education	-	-	-	-	4,002
Treatment services	-	-	-	-	35,642
Licensed or certified living arrangements	-	-	-	-	9,308
Institutional, hospital, and commitment services	-	-	-	-	1,157
	-	-	-	-	<u>50,109</u>
<b>Persons with chronic mental illness:</b>					
Coordination services	-	-	-	-	958
Personal and environmental support	-	-	-	-	6,712
Treatment services	-	-	-	-	13,272
Vocational and day services	-	-	-	-	24,897
Licensed or certified living arrangements	-	-	-	-	92,468
Institutional, hospital, and commitment services	-	-	-	-	57,419
	-	-	-	-	<u>195,726</u>
<b>Persons with mental retardation:</b>					
General administration	-	-	-	-	20,830
Coordination services	-	-	-	-	4,632
Personal and environmental support	-	-	-	-	15,909
Vocational and day services	-	-	-	-	98,344
Licensed or certified living arrangements	-	-	-	-	265,876
Institutional, hospital, and commitment services	-	-	-	-	61,198
	-	-	-	-	<u>466,789</u>
	-	-	-	-	<u>712,624</u>

Special Law Enforcement	Stuart Urban Renewal	Stuart Urban Renewal Sinking	Stuart Urban Renewal Reserve	Stuart/Adair Rail Spur Urban Renewal	Stuart/Adair Rail Spur Urban Renewal Sinking	Stuart/Adair Rail Spur Urban Renewal Reserve	Total
1,755	-	-	-	-	-	-	1,755
-	-	-	-	-	-	-	3,500
1,755	-	-	-	-	-	-	5,255
-	-	-	-	-	-	-	23,200
-	-	-	-	-	-	-	4,002
-	-	-	-	-	-	-	35,642
-	-	-	-	-	-	-	9,308
-	-	-	-	-	-	-	1,157
-	-	-	-	-	-	-	50,109
-	-	-	-	-	-	-	958
-	-	-	-	-	-	-	6,712
-	-	-	-	-	-	-	13,272
-	-	-	-	-	-	-	24,897
-	-	-	-	-	-	-	92,468
-	-	-	-	-	-	-	57,419
-	-	-	-	-	-	-	195,726
-	-	-	-	-	-	-	20,830
-	-	-	-	-	-	-	4,632
-	-	-	-	-	-	-	15,909
-	-	-	-	-	-	-	98,344
-	-	-	-	-	-	-	265,876
-	-	-	-	-	-	-	61,198
-	-	-	-	-	-	-	466,789
-	-	-	-	-	-	-	712,624

Adair County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Mental Health
Expenditures (continued):					
Operating:					
County Environment Service Area:					
Environmental quality:					
Natural resources conservation:					
Rural water maintenance	30	-	-	-	-
Weed eradication	38,089	-	-	-	-
Solid waste disposal	31,923	-	-	-	-
	<u>70,042</u>	-	-	-	-
Roads and Transportation Service Area:					
Secondary roads administration and engineering:					
Administration	-	248,560	-	-	-
Engineering	-	129,854	-	-	-
	-	<u>378,414</u>	-	-	-
Roadway maintenance:					
Bridges and culverts	-	277,281	-	-	-
Roads	-	1,309,409	-	-	-
Snow and ice control	-	71,936	-	-	-
Traffic controls	-	58,993	-	-	-
Road clearing	193,983	17,805	-	-	-
	<u>193,983</u>	<u>1,735,424</u>	-	-	-
General roadway expenditures:					
Equipment	-	147,795	-	-	-
Equipment operation	-	649,970	-	-	-
Tools, materials, and supplies	-	98,888	-	-	-
Real estate and buildings	-	76,597	-	-	-
	-	<u>973,250</u>	-	-	-
	<u>193,983</u>	<u>3,087,088</u>	-	-	-
State and Local Government Services Service Area:					
Representation services:					
Township officials	2,137	-	-	-	-
State administrative services:					
Recording of public documents	-	-	-	826	-
	<u>2,137</u>	-	-	<u>826</u>	-

Special Law Enforcement	Stuart Urban Renewal	Stuart Urban Renewal Sinking	Stuart Urban Renewal Reserve	Stuart/Adair Rail Spur Urban Renewal	Stuart/Adair Rail Spur Urban Renewal Sinking	Stuart/Adair Rail Spur Urban Renewal Reserve	Total
-	-	-	-	-	-	-	30
-	-	-	-	-	-	-	38,089
-	-	-	-	-	-	-	31,923
-	-	-	-	-	-	-	70,042
-	-	-	-	-	-	-	248,560
-	-	-	-	-	-	-	129,854
-	-	-	-	-	-	-	378,414
-	-	-	-	-	-	-	277,281
-	-	-	-	-	-	-	1,309,409
-	-	-	-	-	-	-	71,936
-	-	-	-	-	-	-	58,993
-	-	-	-	-	-	-	211,788
-	-	-	-	-	-	-	1,929,407
-	-	-	-	-	-	-	147,795
-	-	-	-	-	-	-	649,970
-	-	-	-	-	-	-	98,888
-	-	-	-	-	-	-	76,597
-	-	-	-	-	-	-	973,250
-	-	-	-	-	-	-	3,281,071
-	-	-	-	-	-	-	2,137
-	-	-	-	-	-	-	826
-	-	-	-	-	-	-	2,963

Adair County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Mental Health
Expenditures (continued):					
Debt Service Service Area:					
Principal redemption	-	-	-	-	-
Interest paid	-	-	-	-	-
Capital Projects Service Area:					
Roadway construction	-	8,479	-	-	-
Conservation land acquisition	-	-	6,377	-	-
Total expenditures	292,862	3,095,567	6,377	826	712,624
Excess (deficiency) of revenues over (under) expenditures	675,864	(661,168)	3,039	1,377	(41,008)
Other financing sources (uses):					
Sale of general fixed assets	38,000	9,661	-	-	-
Tax increment financing revenue capital loan note proceeds	-	-	-	-	-
Operating transfers in (out):					
General	-	58,374	-	-	-
Special Revenue:					
Rural Services	-	784,764	-	-	-
Secondary Roads	(784,764)	-	-	-	-
Stuart Urban Renewal	-	-	-	-	-
Stuart Urban Renewal Sinking	-	-	-	-	-
Stuart Urban Renewal Reserve	-	-	-	-	-
Stuart/Adair Rail Spur Urban Renewal	-	-	-	-	-
Stuart/Adair Rail Spur Urban Renewal Sinking	-	-	-	-	-
Stuart/Adair Rail Spur Urban Renewal Reserve	-	-	-	-	-
Total other financing sources (uses)	(746,764)	852,799	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(70,900)	191,631	3,039	1,377	(41,008)
Fund balances beginning of year	220,012	1,624,976	87,679	3,232	175,412
Increase in reserve for:					
Inventories	-	34,118	-	-	-
Prepaid expenditures	589	18,239	-	-	317
Fund balances end of year	\$ 149,701	1,868,964	90,718	4,609	134,721

See accompanying independent auditor's report.

Special Law Enforcement	Stuart Urban Renewal	Stuart Urban Renewal Sinking	Stuart Urban Renewal Reserve	Stuart/Adair Rail Spur Urban Renewal	Stuart/Adair Rail Spur Urban Renewal Sinking	Stuart/Adair Rail Spur Urban Renewal Reserve	Total
-	-	69,000	-	-	-	-	69,000
-	-	24,098	-	-	40,950	-	65,048
-	-	93,098	-	-	40,950	-	134,048
-	-	-	-	-	-	-	8,479
-	-	-	-	-	-	-	6,377
-	-	-	-	-	-	-	14,856
1,755	-	93,098	-	-	40,950	-	4,244,059
(1,622)	118,062	(93,098)	-	28,955	(40,950)	-	(10,549)
-	-	-	-	-	-	-	47,661
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	58,374
-	-	-	-	-	-	-	784,764
-	-	-	-	-	-	-	(784,764)
-	-	-	37,104	-	-	-	37,104
-	(93,098)	-	-	-	-	-	(93,098)
-	(37,104)	93,098	-	-	-	-	55,994
-	-	-	-	-	45,465	63,000	108,465
-	-	-	-	(45,465)	-	-	(45,465)
-	-	-	-	(63,000)	-	-	(63,000)
-	(130,202)	93,098	37,104	(108,465)	45,465	63,000	106,035
(1,622)	(12,140)	-	37,104	(79,510)	4,515	63,000	95,486
5,282	12,910	-	-	109,534	-	-	2,239,037
-	-	-	-	-	-	-	34,118
-	-	-	-	-	-	-	19,145
3,660	770	-	37,104	30,024	4,515	63,000	2,387,786

**Schedule 5**

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Adair County

Capital Projects Fund

Statement of Revenues, Expenditures  
and Changes in Fund Balance

Year ended June 30, 2002

	<u>Stuart/Adair Rail Spur Urban Renewal</u>
Revenues:	
Contributions and reimbursements from other governmental units	\$ 100,000
Expenditures:	
Capital Projects Service Area:	
Other capital projects:	
Rail spur	<u>691,186</u>
Deficiency of revenues under expenditures	(591,186)
Other financing sources:	
Subordinate urban renewal revenue capital loan note proceeds	<u>250,000</u>
Deficiency of revenues and other financing sources under expenditures	(341,186)
Fund balance beginning of year	<u>503,505</u>
Fund balance end of year	<u><u>\$ 162,319</u></u>

See accompanying independent auditor's report.

Adair County  
Trust and Agency Funds  
Combining Balance Sheet  
June 30, 2002

	Expendable		
	Trust -		
	Conservation		
	Land Acquisition		
	Trust	Agency	Total
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 183,246	306,541	489,787
Other County officials	-	16,748	16,748
Receivables:			
Property tax:			
Delinquent	-	11,024	11,024
Succeeding year	-	7,244,000	7,244,000
Accounts	-	29	29
Special assessments	-	38,056	38,056
Accrued interest	1,557	-	1,557
Due from other funds	15	-	15
Prepaid expenditures	-	3,398	3,398
<b>Total assets</b>	<b>\$ 184,818</b>	<b>7,619,796</b>	<b>7,804,614</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Salaries and benefits payable	\$ -	954	954
Due to other funds	-	19,708	19,708
Due to other governments	-	7,593,302	7,593,302
Trusts payable	-	3,184	3,184
Compensated absences	-	2,648	2,648
Total liabilities	-	7,619,796	7,619,796
Fund equity:			
Unreserved fund balance	184,818	-	184,818
<b>Total liabilities and fund equity</b>	<b>\$ 184,818</b>	<b>7,619,796</b>	<b>7,804,614</b>

See accompanying independent auditor's report.

Adair County  
Expendable Trust Fund  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year ended June 30, 2002

	<u>Conservation Land Acquisition Trust</u>
Revenues:	
Charges for service	\$       65
Use of money and property:	
Interest on investments	5,238
Land rental	5,393
	<u>10,631</u>
Miscellaneous:	
Donations	16,761
Total revenues	<u>27,457</u>
Expenditures:	
None	<u>-</u>
Excess of revenues over expenditures	27,457
Fund balance beginning of year	<u>157,361</u>
Fund balance end of year	<u>\$ 184,818</u>

See accompanying independent auditor's report.

**Adair County**

Adair County  
 Agency Funds  
 Combining Balance Sheet  
 June 30, 2002

	County Recorder's Office	Agricultural Extension Education	County Assessor
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ -	1,291	30,363
Other County officials	16,748	-	-
Receivables:			
Property tax:			
Delinquent	-	148	231
Succeeding year	-	81,000	137,000
Accounts	29	-	-
Special assessments	-	-	-
Prepaid expenditures	-	-	3,398
<b>Total assets</b>	<b>\$ 16,777</b>	<b>82,439</b>	<b>170,992</b>
<b>Liabilities</b>			
Salaries and benefits payable	\$ -	-	954
Due to other funds	13,971	-	-
Due to other governments	2,806	82,439	167,390
Trusts payable	-	-	-
Compensated absences	-	-	2,648
<b>Total liabilities</b>	<b>\$ 16,777</b>	<b>82,439</b>	<b>170,992</b>

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax
67,510	3,168	17,969	2,614	162,762
-	-	-	-	-
7,738	380	917	294	-
4,487,000	201,000	1,417,000	170,000	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>4,562,248</b>	<b>204,548</b>	<b>1,435,886</b>	<b>172,908</b>	<b>162,762</b>
-	-	-	-	-
-	-	-	-	5,737
4,562,248	204,548	1,435,886	172,908	157,025
-	-	-	-	-
-	-	-	-	-
<b>4,562,248</b>	<b>204,548</b>	<b>1,435,886</b>	<b>172,908</b>	<b>162,762</b>

Adair County  
 Agency Funds  
 Combining Balance Sheet  
 June 30, 2002

	Brucellosis and Tuberculosis Eradication	Emergency Management Services	Special Assess- ment
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	26	4,980	1,256
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	3	-	-
Succeeding year	1,000	-	-
Accounts	-	-	-
Special assessments	-	-	38,056
Prepaid expenditures	-	-	-
<b>Total assets</b>	1,029	4,980	39,312
<b>Liabilities</b>			
Salaries and benefits payable	-	-	-
Due to other funds	-	-	-
Due to other governments	1,029	4,980	39,312
Trusts payable	-	-	-
Compensated absences	-	-	-
<b>Total liabilities</b>	1,029	4,980	39,312

See accompanying independent auditor's report.

County Hospital	Tax Sale Redem p- tion	Advance Tax	Total
11,418	328	2,856	306,541
-	-	-	16,748
1,313	-	-	11,024
750,000	-	-	7,244,000
-	-	-	29
-	-	-	38,056
-	-	-	3,398
<b>762,731</b>	<b>328</b>	<b>2,856</b>	<b>7,619,796</b>
-	-	-	954
-	-	-	19,708
762,731	-	-	7,593,302
-	328	2,856	3,184
-	-	-	2,648
<b>762,731</b>	<b>328</b>	<b>2,856</b>	<b>7,619,796</b>

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Adair County

Agency Funds

Combining Statement of Changes in Assets and Liabilities  
All Agency Funds

Year ended June 30, 2002

	County Offices		Agricultural
	County Recorder	County Sheriff	Extension Education
<b>Assets and Liabilities</b>			
Balances beginning of year	\$ 16,201	-	82,201
Additions:			
Property and other County tax	-	-	81,158
State tax credits	-	-	6,027
Office fees and collections	111,864	22,408	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Trusts	-	70,972	-
Miscellaneous	-	-	-
Total additions	111,864	93,380	87,185
Deductions:			
Agency Remittances:			
To other funds	57,451	22,090	-
To other governments	53,837	318	86,947
Trusts paid out	-	70,972	-
Total deductions	111,288	93,380	86,947
Balances end of year	\$ 16,777	-	82,439

County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax
155,675	4,305,213	201,334	1,372,331	171,600	154,416
136,968	4,497,645	202,465	1,374,983	169,645	-
9,394	316,325	14,834	111,202	12,403	-
-	-	-	-	-	-
-	-	-	-	-	1,838,008
-	-	-	-	-	-
-	-	-	-	-	-
2,802	-	-	-	-	-
149,164	4,813,970	217,299	1,486,185	182,048	1,838,008
-	-	-	-	-	62,585
133,847	4,556,935	214,085	1,422,630	180,740	1,767,077
-	-	-	-	-	-
133,847	4,556,935	214,085	1,422,630	180,740	1,829,662
170,992	4,562,248	204,548	1,435,886	172,908	162,762

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Adair County

Agency Funds

Combining Statement of Changes in Assets and Liabilities  
All Agency Funds

Year ended June 30, 2002

	Brucellosis and Tuberculosis Eradication	Emergency Management Services	Special Assess- ments
<b>Assets and Liabilities</b>			
Balances beginning of year	2,044	4,146	65,080
Additions:			
Property and other County tax	614	-	-
State tax credits	121	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	15,830
Trusts	-	-	-
Miscellaneous	-	9,960	-
Total additions	735	9,960	15,830
Deductions:			
Agency Remittances:			
To other funds	-	-	-
To other governments	1,750	9,126	41,598
Trusts paid out	-	-	-
Total deductions	1,750	9,126	41,598
Balances end of year	1,029	4,980	39,312

See accompanying independent auditor's report.

County Hospital	Tax Sale Redemption	Anatomical Gift Donations	Empowerment	Advance Tax	Total
723,443	3,821	-	6,638	6,360	7,270,503
752,464	-	-	-	-	7,215,942
53,322	-	-	-	-	523,628
-	-	-	-	-	134,272
-	-	-	-	-	1,838,008
-	-	-	-	-	15,830
-	66,181	-	-	-	137,153
-	-	153	-	2,777	15,692
805,786	66,181	153	-	2,777	9,880,525
-	-	-	-	-	142,126
766,498	-	153	6,638	6,281	9,248,460
-	69,674	-	-	-	140,646
766,498	69,674	153	6,638	6,281	9,531,232
762,731	328	-	-	2,856	7,619,796

**Schedule 10****Adair County****Comparison of Taxes and Intergovernmental Revenues**

	Years ended June 30,			
	2002	2001	2000	1999
<b>Taxes:</b>				
Property tax	\$ 2,170,571	1,704,541	1,696,082	1,992,474
Utility tax replacement excise tax	129,529	104,197	-	-
Other	2,260	2,498	-	-
	<u>2,302,360</u>	<u>1,811,236</u>	<u>1,696,082</u>	<u>1,992,474</u>
 Tax increment financing revenues	 63,977	 46,175	 910	 -
 <b>Intergovernmental:</b>				
State shared revenues:				
Road use tax	2,346,755	2,250,406	2,283,131	2,170,914
Other	16,467	16,858	17,560	5,276
State grants and reimbursements including indirect federal funding:				
Mental health/mental retardation allocation	24,488	61,393	56,725	56,725
Highway planning and construction grants	-	-	154,267	200,418
Social services block grant	40,407	41,810	43,433	45,490
Western Iowa hungry canyons (Loess Hills)	-	-	20,000	-
Other	86,478	119,236	136,497	152,853
State tax replacements:				
State tax credits	165,613	153,532	145,572	176,662
State allocation	80,967	86,581	86,831	86,727
Mental health property tax relief	294,108	294,109	294,109	294,109
Mental health allowed growth factor adjustment allocation	-	39,437	37,818	32,861
Direct federal grants and entitlements:				
Watershed protection and flood prevention	-	-	307,436	-
Western Iowa hungry canyons	-	-	80,000	-
Contributions and reimbursements from other governmental units	299,394	171,671	163,044	75,606
Total intergovernmental	<u>3,354,677</u>	<u>3,235,033</u>	<u>3,826,423</u>	<u>3,297,641</u>
 Total	 <u>\$ 5,525,248</u>	 <u>5,092,444</u>	 <u>5,522,505</u>	 <u>5,290,115</u>

See accompanying independent auditor's report



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting**

To the Officials of Adair County:

We have audited the general purpose financial statements of Adair County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 13, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Adair County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (5) and (11).

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Adair County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Adair County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for item (B).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Adair County and other parties to whom Adair County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Adair County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 13, 2002

Adair County  
Schedule of Findings  
Year ended June 30, 2002

**Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE**

No matters were reported.

**REPORTABLE CONDITIONS:**

(A) Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. The following were noted in the Treasurer's Office:

- Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.
- All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records and to the deposit.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the County Treasurer should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - It is impossible in an office the size of mine to have one employee not handle cash/checks and reconcile bank statements. I will check over the reconciliation and initial and date it. I will periodically list receipts received in the mail and follow those receipts through the process of entering them in the computer system, reports, and the bank deposit. I did this in years past and have never been asked for any documentation on it.

Conclusion - Response accepted.

(B) Information Systems -The following weaknesses in the County's computer based systems were noted:

- Computer passwords are shared and are not required to be changed. Also, there is no written policy prohibiting the sharing of passwords and password history is not utilized.
- User profiles are not reviewed and User IDs are not removed or changed after an employee is terminated or changes duties.
- Users are not restricted to programs for which they have legitimate need.

Recommendation - The County should develop written policies addressing the above items in order to improve the County's control over computer based systems.

Response - We will work with the computer company and County personnel to comply with this comment.

Conclusion - Response accepted.

Adair County

Schedule of Findings

Year ended June 30, 2002

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- (2) Certified Budget - Disbursements during the year ended June 30, 2002 did not exceed amounts budgeted. Disbursements in the Medical Examiner Department exceeded the amount appropriated prior to amendment.

Recommendation - The County should amend appropriations as required before disbursements are allowed to exceed the appropriations.

Response - Will more carefully watch appropriations for departments before bills are paid.

Conclusion - Response accepted.

- (3) Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Bridgewater Oil, co-owned by Roger Frese, husband of General Relief Director	Repair	\$ 75
	Diesel fuel and supplies	9,715
Schultz Plumbing, owned by John Gruss, Conservation Board member	Repairs and plumbing	1,294
Redman Construction, owned by James Mitchell, brother of Deputy Treasurer	Pipe and drain repairs	4,257

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Schultz Plumbing and the repair by Bridgewater Oil do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

In the opinion of the County Attorney, the pipe and drain repairs purchased through Redman Construction do not represent a conflict of interest in accordance with Chapter 331.342(4) of the Code of Iowa.

Adair County

Schedule of Findings

Year ended June 30, 2002

In the opinion of the County Attorney, the purchase of diesel fuel and supplies from Bridgewater Oil may represent a conflict of interest in accordance with Chapter 331.342(4) of the Code of Iowa since the contracts were not entered into through competitive bidding.

Recommendation - The County should comply with Chapter 331.342(4) of the Code of Iowa.

Response - Will consult County Engineer about bid procedures for Bridgewater Oil. The location of the supplier in the County determines what merchandise is purchased. We try to spread business throughout County.

Conclusion - Response accepted.

- (6) Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (7) Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by extension council separate and distinct from County operations and consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2002 for the County Extension office did not exceed the amount budgeted.

- (11) Urban Renewal Notes - The County has not transferred the required amount to the reserve fund required by the 1998 urban renewal revenue capital loan note.

Recommendation - The County should maintain the required balance in the reserve fund as required by the note resolution.

Response - The County will transfer funds into the reserve account as they are available.

Conclusion - Response accepted.

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Adair County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Randi J. Rowedder, CPA, Senior Auditor II  
Billie J. Heth, Staff Auditor  
Jedd D. Moore, Assistant Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State